

2002 Mid-Course Review: A Recap

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2003 Mid-Course Review of Restructuring
in the Mid-Atlantic States
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The Regulatory Assistance Project

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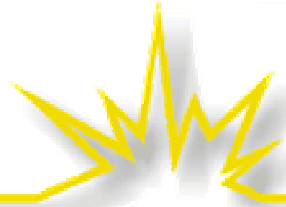
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Introduction

Regulatory Assistance Project

- ❖ RAP is a non-profit organization, formed in 1992, that provides workshops and education assistance to state government officials on electric utility regulation. RAP is funded by the Energy Foundation and the US DOE.
- Richard Sedano was Commissioner of the Vermont Department of Public Service 1991-2001 and led NASEO from 1998-2000.



Why a Mid-Course Review?

- Restructuring electric markets very complex and very important
- All states in mid-Atlantic region addressing restructuring
- Communication among states and among key government players within states is valuable and can be improved
- Share ideas for improvements
 - ❖ Include elected leaders looking ahead to reform



National Council Focus

- Sustained engagement over a day and half
- Get people talking who work on electric issues, yet don't see each other much
- Get past sound bites
- Dig into reasons for outcomes
- Dig into possible solutions (process, and policy)



From the discussion: Restructuring Goals

- Lower prices
- Provide choice
- Assure diverse supplies
- Maintain/improve reliability
- Security
- Technology innovation
- Customer service innovation
- Environmental improvement
- Risk balance between customers and market



From the discussion: **Retail Topics**

- Rate caps
- Aggregation
- Default service
- Price volatility
- Planning
- Siting
- Demand resources
- Market incentives
- Risk
- Advanced Metering



From the discussion: **Wholesale Topics**

- Market power
- Market monitoring: FERC and its limits
- Code of conduct and affiliate transaction rules
- Price volatility
- Wholesale market price caps
- Generation adequacy



From the discussion: Themes

- Tension between markets and regulation
- Tension between state and federal regulators
- Assuring sufficient investment
- Assuring sufficient attention to “public benefits”
- Interaction between electric and gas markets
- Multi-state action



Is Restructuring on the Right Track and Why?

Yes, because:

- PJM is doing well
- Lower prices
- Choice is good
- Competition is good
- Lessons, cooperation among states

No, because of:

- Impediments to choice
- Lack of competition
- Lack of demand response
- Differences among states
- Stranded benefits



Regional Cooperation

- Regular communication in MACRUC
- MACRUC communication with PJM
- Communication with air and energy offices less regular and can be improved
- Should there be a “regional entity?”
 - ❖ Market monitoring, environmental info, siting, alternative energy, demand side market